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No. 85-1443

IN THE

Supreme Court of the United States

OCTOBER TERM, 1985

CORDIS CORPORATION,

Petitioner,

vs.

MEDTRONIC, INC.,

Respondent.

PETITIONER'S REPLY IN SUPPORT OF PETITION FOR CERTIORARI

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I. MEDTRONIC'S OPPOSITION IS A DIRECT ATTACK ON THE *LEAR* MANDATE

MEDTRONIC does *not* dispute that: (1) *Lear* v. *Adkins* is a watershed decision in patent law; (2) the Supreme Court has provided no guidance concerning the appropriate interpretation and application of *Lear*; and (3) *Lear* has been subject to conflicting interpretations among the Federal Circuit Courts of Appeal on the very issues presented by this Petition.

Instead, MEDTRONIC essentially repeats the classic arguments for subjugation of Federal patent policy to private contract, which were expressly and repeatedly rejected by the Supreme Court in *Lear*. Indeed, MEDTRONIC's Opposition (and the Federal Circuit's decision) is a direct attack on the express public policy mandate of *Lear*; i.e., when in conflict, private contract doctrine must give way to Federal

patent policy—and actually demonstrates why this Court should grant Certiorari to review the merits of the Federal Circuit's decision.

II. THE FEDERAL CIRCUIT'S (and MEDTRONIC'S) INTERPRETATION OF *LEAR* IS AT ODDS WITH THE SUPREME COURT'S STATEMENTS IN *LEAR*

Almost all of MEDTRONIC's Opposition (pp. 9-29) is directed to a rehash of the classic arguments for subjugation of patent policy to private agreement, which were directly repudiated in *Lear*. In *Lear*, this Supreme Court repeatedly, and without qualification, stated that when in conflict, Federal patent policy must be preeminent over private contract doctrine:

> We think it plain that the technical requirements of contract doctrine must give way before the demand of the public interest in the typical situation involving the negotiation of a license after a patent has issued,[1] 395 U.S. 670-71.

The Supreme Court's earlier analysis makes it clear that this statement was intended as a direct repudiation of the argument that "under ordinary contract principles the mere fact that some benefit is received is enough to require the enforcement of the contract, regardless of the validity of the patent", 395 U.S. at 669. MEDTRONIC makes the very same, warmed-over (and still ineffectual) argument in its Opposition.

On a *second* occasion, the Supreme Court in *Lear* stated:

> The equities of the licensor do not weigh very heavily when they are balanced against the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain, 395 U.S. at 670.

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[1]Similarly, in this case the license was entered *after* the patents had issued.

On a *third* occasion, in holding that a licensee may not be compelled to pay royalties while challenging validity, this Court in *Lear* stated that "the parties' contract . . . is no more controlling . . . than is the State's doctrine of estoppel [which it had rejected] which is rooted in contract principles," 395 U.S. at 673. MEDTRONIC's Opposition and the Federal Circuit's decision completely ignore this overriding principle of public policy set forth in *Lear*.

Instead of addressing this fundamental conflict, MEDTRONIC attempts to contrast the equities of the present situation with those in *Lear* (Med. Opp. pp. 12-15). However, even this attempt emphasizes that the very language of *Lear* must be ignored to rationalize the Federal Court's decision. In the present case, CORDIS entered the License Agreement *after* the patents in suit had issued and did *not* receive know-how or technical assistance from MEDTRONIC, as the licensee did in *Lear*. The Supreme Court specifically commented in *Lear*:

> The case before us, however, *presents a far more complicated estoppel problem than the one which arises in the most common licensing context* [where the license is entered after the patent issues]. The problem arises out of the fact that Lear obtained its license . . . more than four years before Adkins received his . . . patent. Indeed, from the very outset of the relationship, *Lear obtained special access to Adkins' ideas in return for its promise to pay satisfactory compensation.*
>
> Thus, during the lengthy period in which Adkins was attempting to obtain a patent, Lear gained an important benefit not generally obtained by the typical licensee. (Emphasis added) 395 U.S. at 671.

Despite the more compelling equities for the licen*sor* in *Lear*, the Court held that the licen*see* could not be compelled to pay royalties during the pendency of the lawsuit. Thus, MEDTRONIC's effort to contrast the balance of equities in the present situation with those of *Lear* is actually contrary

to the Supreme Court's own analysis of the equities—which clearly places this case in the class of "typical" licenses, where the public policy of *Lear* even more vigorously applies.

Finally, MEDTRONIC argues that the District Court's Order is inconsistent with the public interest of encouraging inventors to make, patent, and license their inventions (Med. Opp. pp. 16-18). This argument, however, is misdirected. The Federal policy of encouraging the patenting of inventions is perhaps better stated as encouraging the patenting of "patentable" inventions. There is certainly no Federal patent policy of fostering the patenting and/or licensing of "unpatentable" inventions. In accordance with *Lear*, the patenting and/or licensing of "unpatentable" inventions *should* be challenged.

The upshot of these arguments is that MEDTRONIC's Opposition and the Federal Circuit's decision fly directly in the face of the clear public policy directive of *Lear*; i.e., when in conflict, Federal patent policy must be preeminent over private contract doctrine. Such conflict plainly exists in this case and requires that MEDTRONIC's contract-based arguments give way to the Federal patent policy of free and open competition in unpatentable ideas.

III. THE DECISION OF THE FEDERAL CIRCUIT PRESENTS PATENT LICENSEES WITH A "HOBSON'S CHOICE" ANTAGONISTIC TO FEDERAL PATENT POLICY

MEDTRONIC's (and Webster's) definition of a "Hobson's choice" is perfectly appropriate for the situation created by the Federal Circuit's decision—the appearance of freedom of choice when none realistically exists.

As set forth in CORDIS' Petition (pp. 6-8), the practical result of the Federal Circuit's decision is that when faced with the real-world choices presented by that decision, patent licensees will not undertake a challenge to the validity of the licensed patents. As a result, even licensed patents believed to be invalid will not be litigated. The licensor will continue

to profit to the detriment of the licensee and, most importantly, to the detriment of the public at large, and the very purpose and policy of *Lear* will be frustrated.

IV. THE FEDERAL CIRCUIT'S OPINION DOES *NOT* RESOLVE THE CONFLICT AMONG THE CIRCUIT COURTS OF APPEAL

MEDTRONIC finally contends that because of the Federal Circuit's exclusive jurisdiction of patent appeals, there will be no further conflicts concerning the interpretation and application of *Lear* (Med. Opp. pp. 34-35). This argument is simply wrong.

The Federal Circuit Court of Appeals hears patent cases *only* if the original jurisdiction of the case was based in whole or in part on 28 U.S.C. 1338,[2] i.e., when the action involves a substantial charge of patent infringement, 28 U.S.C. 1295(a)(1). Not all patent licensing issues, however, include a charge of patent infringement. Those cases are routinely heard in the State Courts or, if diversity is present, in the Federal Courts (with any appeal to the regional Circuit Courts of Appeal). Indeed, *Lear* itself was *not* a case which would have been appealed to the Federal Circuit Court of Appeals. *Lear* was purely a contract action arising out of the California State Courts.

For these plain and indisputable reasons, the decision by the Federal Circuit Court of Appeals does *not* resolve the conflict among the various Courts of Appeal. Unless resolved by this Court, that conflict will continue unabated—to the detriment of the U.S. patent system and the public.

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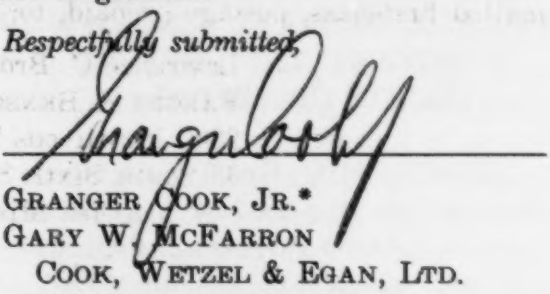
[2]The Federal Circuit Court of Appeals may also hear patent cases on appeal from the Patent and Trademark Office or in review of final determinations of the International Trade Commission, but those are not pertinent to this case.

CONCLUSION

For the reasons set forth in the Petition for Certiorari and in this Reply, it is respectfully requested that the Petition for a Writ of Certiorari be granted.

Respectfully submitted,



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CERTIFICATE OF SERVICE

It is hereby certified that at least three copies of the foregoing PETITIONER'S REPLY IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI have been mailed first-class, postage prepaid, to:

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this 7th day of May, 1986.

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